S. Hrg. 102–26

NOMINATION OF CARL W. VOGT

HEARING

BEFORE THE

COMMITTEE ON COMMERCE SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON

CARL W. VOGT, TO BE A MEMBER OF THE BOARD OF DIRECTORS, NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

FEBRUARY 20, 1991

Printed for the use of the Committee on Commerce, Science, and Transportation

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NOMINATION OF CARL W. VOGT

WEDNESDAY, FEBRUARY 20, 1991

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 2:37 p.m. in room SR-253, Russell Senate Office Building, Hon. J. James Exon presiding.

Staff members assigned to this hearing: Sheryl Webber Washington, professional staff member and Leslie Blosse, minority professional staff member.

OPENING STATEMENT BY SENATOR EXON

Senator EXON. The subcommittee will please come to order. The hearing on the nomination today is of Carl W. Vogt to be a member of the Board of Directors of the National Railroad Passenger Corporation commonly known, and affectionately known around here, as Amtrak. Today the Committee on Commerce, Science and Transportation meets to consider the nomination of Carl W. Vogt to serve as member of the Board of Directors of Amtrak.

The advice and consent role of the Senate is one to take very seriously. Three members of Amtrak's nine-member board are presidential appointees made by and with the advice and consent of the Senate. With the passage of the Amtrak Reauthorization and Improvement Act of 1990, Congress reaffirmed its commitment to a national rail passenger system. We have been and remain concerned that this commitment is carried out. It is with this understanding that we will carefully consider the nomination of Mr. Vogt this afternoon.

Since 1973, Mr. Vogt has been with the law firm of Fulbright and Jaworski, where he is currently a Senior Partner and Partner-in-Charge of the Washington, DC office. Previously, Mr. Vogt was a member of the Atlanta-based law firm, after spending 3 years in the Houston office of Fulbright and Jaworski. For 6 years he has served as a fighter pilot in the United States Marine Corps.

The wisdom and vision reflected in the passage of the Railroad Passenger Act 20 years ago is demonstrated daily as thousands of travelers board Amtrak trains across the country. With the impending 20th anniversary of the first Amtrak train service, I think it is most appropriate that we are considering this nomination today.

The committee will review this nomination very carefully, keeping in mind that Amtrak's Board of Directors has a tremendous responsibility to ensure that a truly national rail passenger service is maintained while the corporation continues to improve its financial and operating performances.

A very prime backer of Amtrak over the years is with us today. My colleague and senior Senator from the State of South Dakota. Do you have any opening statement, Senator Pressler?

OPENING STATEMENT BY SENATOR PRESSLER

Senator PRESSLER. Mr. Chairman, thank you very much. I welcome this nominee. I think we are very lucky to have him in public service, and I support him. I do have some questions from the minority. I, of course, am always urging Amtrak to expand its service into the State of South Dakota. I have some questions on that possibility.

I would like to point out that Mount Rushmore attracts over 2 million visitors each year. Many of these visitors drive across the Midwest and stop at other national parks like Yellowstone and the Grand Teton National Park. We are always eager to have Amtrak take a look at Mount Rushmore, the Black Hills, or at Aberdeen as a possible hook up.

If I depart it is because I have to go over to Small Business where they are trying to have a markup and they need a warm, living, breathing Senator, who has a heartbeat to make a quorum.

Senator EXON. Senator, thank you very much. I will be glad to recognize you, since you are cramped for time, after we have the presentation of Mr. Vogt, I would be glad to recognize you first, and you can ask any questions at that time. And if you have to leave, we certainly understand the complications here.

Since we are also very delighted to see the head man at Amtrak in the audience today, and I welcome you once again, Mr. Claytor. And on a formal or informal basis after we have finished our questions of this witness, I have a question or two about Amtrak. And if you would not mind appearing for us without notice, why we would be glad to have you for some testimony on the record.

Mr. Vogt, we are delighted to have you and we would be very pleased to hear you give any statement that you have to make at this time, and then we will go to questions.

I have a statement that Senator Hollings would like to have included in the record.

[The statement, biographical sketch, and questions and answers follow:]

OPENING STATEMENT BY THE CHAIRMAN

Today, the Committee is holding a hearing to consider the nomination of Carl W. Vogt to be a Member of the Board of Directors of the National Railroad Passenger Corp. The Amtrak Board of Directors is comnposed of nine members. Three of the members are appointed by the President by and with the advice and consent of the Senate, and Mr. Vogt has been so nominated..

Currently, Mr. Vogt is a senior partner and partner-in-charge of the Washington, DC office of the law firm Fulbright and Jaworski. Previously, he was a member of an Atlanta based law firm after three years of service in the Houston office of Fullbright and Jaworski. For six years, Mr. Vogt served as a fighter pilot in the Marine Corp.

In reviewing Mr. Vogt's nomination, we are reminded of the commitment we have made to insure that a national rail passenger system is maintained. Congress reaffirmed this commitment with the passage last Congress of the Amtrak Reauthorization and Improvement Act of 1990.

As the Committee considers Mr. Vogt's nomination today, I look forward to hearing his views on the contributions he can make as a member of the Board of our national rail passenger system.

ERNEST F. HOLLINGS, SOUTH CAROLINA, CHAIRMAN
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WALTER B. McCORMICK, JR., MINORITY CHIEF COUNSEL AND STAFF DIRECTOR

United States Senate
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
WASHINGTON, DC 20510-6125

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

(If more space is needed, please use attached REMARKS sheet)

A. BIOGRAPHICAL DATA

1. Name: Vogt (Last) Carl (First) W. (Other)

Address: 8708 Hidden Hill Lane, Potomac, Maryland 20854 (Current residence)
801 Pennsylvania Avenue, N.W., Washington, D.C. 20004-2604 (Business)

2. Position to which nominated: Board of Directors of the National Railroad Passenger Corporation
Date of nomination:

3. Date of birth: April (month) 20 (day) 1936 (year)
Place of birth: Houston, Texas

4. Marital status: Married
Full name of Spouse: Margrit W. Vogt

5. Names and ages of children: Erika 21
Bianca 20

6. Education:

Institution	Dates attended	Degrees received	Dates of degrees
Williams College	9/54-6/58	BA	6/58
Boalt Hall School of Law University of California	9/62-6/63		
University of Texas Law School	7/63-6/65	LL.B.	6/65

7. Employment record: List all positions held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.

From	To	Name of employer	Address	Type of work
7/58	8/62	U.S. Marine Corps.	*	Fighter Pilot
*Flight training in Florida and Texas; MCAS El Toro, California; U.S.S. Lexington, Western Pacific.				
1/66	12/68	Fulbright & Jaworski	Houston, Texas	Law
1/69	6/73	Thompson, Ogletree & Dreakins	Atlanta, Georgia Washington, D.C.	Law
7/73	Present	Fulbright & Jaworski	Washington, D.C.	Law

8. Government experience: List any experience in or direct association with Federal, State, or local governments including any advisory, consultative, honorary or other part-time service or positions.

Member

9. Political affiliations activities: List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last 10 years.

Republican Senatorial Inner Circle	1982-Present	$1000 per year
Republican Congressional Leadership Committee	1982-88	$2500 per year
Republican Presidential Trust	1988	$7000

Republican Lawyers Committee

Legal Advisory Committee - George Bush for President 1987-88

George Bush for President 1980 Committee for PAC Contributions

	1985-Present	
Maryland Republican Party		
Bill Wilson for House of Delegates (MD)	1990	$2000
Bill Shepard for Governor (MD)	1990	$1500

10. Memberships: List all memberships and offices held in professional, fraternal, scholarly, civic, charitable, and other organizations.

Member American Bar Association (Council, Section of Administrative Law, 1980-83); Bar Association of D.C.; Texas and Houston Bar Associations; National Association of College and University attorneys (Executive Board 1981-84); Labor Law Advisory Committee, National Association of Manufacturers (Chairman 1982); Labor Law Advisory Committee, American Hospital Association; Founding Director, Chinquapin School For The Underprivileged (1968); Boys and Girls Clubs of Greater Washington, Executive Committee of Board, Chairman Congressional Dinner (1988), Chairman, Annual Giving (1991); Metropolitan Club of Washington, D.C.

11. Honors and awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Fellow American Bar Foundation

12. Published writings: List the titles, publishers, and dates of books, articles, reports, or other published materials you have written.

None

13. Speeches: Identify each speech which you have given during the past 3 years, the organization to which the speech was given, and supply two copies of each speech.

None

14. Qualifications: State what, in your opinion, qualifies you to serve in the particular position to which you have been nominated.

I believe that my representation of businesses, and business associations over the past twenty-four years in a wide variety of matters and locations, will enable me to contribute to the workings of the Board of Directors of the National Railroad Passenger Corporation.

PREHEARING QUESTIONS OF THE CHAIRMAN

General Qualifications and Interests

Question 1. Please outline for the Committee those experiences you have had that you believe made you qualified to serve as a member of the Board of Directors of Amtrak.

Answer. For the past twenty-four years, my practice of law has primarily involved the representation of business interests in a wide variety of matters. In my capacity as a counselor and litigator, I have had the opportunity to critically examine the ways in which various organizations operate and how they respond to challenges. I believe that this experience qualifies me to address the many serious issues which will face Amtrak during my term as a member of the Board of Directors.

Question 2. What contributions would you hope to make as an Amtrak Board member?

Answer. I hope to exercise constructive and critical judgments on the issues presented to the Board during my term. My ultimate aim, of course, will be to contribute to the quality of Amtrak's operations and to assist its efforts to become increasingly self-sufficient.

FEDERAL FUNDING

Question 3. For the first time in seven years, the Administration has included funding for Amtrak in its proposed budget. While this is a positive development, the amount is substantially below the amount Amtrak has indicated it needs to make necessary capital improvements. If various legislative proposals ultimately intended to reduce Amtrak's need for Federal funding (currently recommended by Amtrak, and in previous years by the Administration) are not adopted, would you support efforts to seek the necessary Federal funds to acquire critically needed new passenger cars and locomotives as well as to upgrade some of Amtrak's maintenance facilities?

efforts to provide the level of funding necessary to meet Amtrak's critical capital needs and operating support.

HIGH SPEED RAIL

Question 4. What is your view of the role Amtrak should play in the development of high-speed corridors in the United States?

Answer. Amtrak is not in a position to provide any real financial support to any high speed rail efforts in the United States other than in the Northeast Corridor, where they own or control much of the track. The most logical role for Amtrak to play in any high speed rail effort would be as the operator

of such a service. They certainly have the experience in providing rail passenger service and have a system in place to provide the manpower should they enter into a contract to become an operator of a high speed rail operation. The ability of Amtrak to operate these systems also provides important competition in the high speed rail market. I understand that Amtrak has already had discussions about operating the systems with groups in Florida, Texas, Nevada and other states where there has been a strong interest in high speed rail.

PROPOSED ADMINISTRATIVE CHANGES FOR AMTRAK

Question 5. Amtrak is proposing as part of its legislative agenda for 1991 to change the administration of Amtrak with respect to its corporate structure. As you may know, this change would involve transferring the statutory duties of the President of Amtrak to a new full-time post of Chief Executive Officer. What are your views regarding this proposal?

Answer. Currently, the Rail Passenger Service Act requires that the President of the Corporation also serve as Chairman of the Board. My understanding of the proposal made by Amtrak is that it simply would give the Board of Directors the flexibility that most corporations already have, which is the ability to structure the administration of the corporation's activities without the hindrance of statutory restrictions. The Amtrak proposal would be a minor change to the Rail Passenger Service Act that would transfer the statutory duties of the President of Amtrak to the new full-time post of Chief Executive Officer. Essentially, this would amount to a change in title only; the nature of the duties would remain the same.

Question 6. At the same time that Amtrak is working towards independence from government support, it is proposing to increase the compensation presently being paid to outside Board members. Given the current budgetary climate of restraint, what is your view of the proposal to increase Board members' per diem from $300 per day to compensation in the amount of $1,200?

Answer. I understand that Amtrak's Board of Directors have been compensated at the same rate since Amtrak had been created in 1970. There is no question that inflation has greatly diminished the value of what Congress originally intended for members of the Board. In general, I think it is consistent with good public policy and what Congress has done for federal employees, to periodically adjust compensation to account for inflation.

PREHEARING QUESTIONS OF SENATOR BURNS

Question. What is your position on rail passenger service and how do you feel it fits within a balanced national transportation network?

Response: I believe intercity rail passenger service plays an increasingly important role in the national transportation system. Amtrak is an important carrier in crowded transportation corridors throughout the northeast, in the midwest and in California. It also serves a vital link to many small and dispersed communities in rural America. Amtrak serves many communities that have no alternative air or bus service and thus is the only mode of public transportation available. In corridors such as New York-Boston, New York-Albany, Richmond-Washington, San Diego-Los Angeles, and the Chicago- St. Louis, Chicago-Detroit, Chicago-Milwaukee, and elsewhere, Amtrak has an important and growing share of the travel market. For example, in the New York-Washington market, Amtrak carriers more passengers than all the airlines combined and is the largest carrier in the New York-Washington city pair. As the nation becomes more concerned about the cost and security of its energy and about the quality of its air, transportation planners increasingly are looking to the intercity and commuter rail alternative. I believe this is a good development that, consistent with Amtrak's goal of operational self-sufficiency, will greatly benefit the national transportation system.

Question. What role do you envision playing to help Amtrak meet its goal of self-sufficiency by the year 2000.

Response: As the business representative on the Board, I would help ensure that Amtrak approaches its decision-making on a sound economic and transportation basis. Amtrak has been quite successful in reducing its need for federal operating support because it has been able to make the tough business decisions. This will be even more important in coming years, as further improvements will depend on work rule changes from Amtrak's labor organizations and difficult negotiations with the railroads over whose tracks Amtrak operates. I also will take a special interest in ensuring that Amtrak derives the greatest possible benefit out of its non- rolling stock assets, such as its real estate holdings. I believe that operational self-sufficiency can be achieved and I look forward to playing a positive role in helping Amtrak succeed in this area.

Question. As you know, Amtrak serves the Montana high-line with the Empire Builder. Is that line projected to remain financially viable for the foreseeable future?

Response: I understand that the financial performance of the Empire Builder falls well within the statutory criteria that regulate the routes which Amtrak is permitted to operate. I also understand that the route is projected to continue to fall within those criteria in the coming years.

Question. Do you see Amtrak expanding in the coming years? If so, is there a possibility for expanding service in Montana, i.e., a southern route?

Response: If Amtrak is to attain operational self-sufficiency, it will have to ensure that any expansion of routes does not result in a significant increase in operating costs. Amtrak has been able to expand in recent years in two areas. First, Amtrak has extended existing routes, which is far less costly than adding an entire new train. This was done when Texas Eagle service was extended to Houston. Second, new service has been added through cost-sharing with states. Service in Alabama and North Carolina have recently been added through agreements with the states to absorb a majority of the costs of adding new trains. I believe that the ability of a new route to cover its costs should be an important factor in deciding whether to increase service. However, where new service can economically be justified, and where equipment is available, I believe service should be expanded.

I simply do not know at this time whether or not service could be expanded in southern Montana. I understand that at one time Amtrak operated a southern Montana route, but do not know whether a restored route could cover its costs.

STATEMENT OF CARL W. VOGT

Mr. VOGT. Thank you, Senator Exon, Senator Pressler. My remarks are brief but heartfelt. It is a great honor for me to be nominated for a position on the board of Amtrak and to be considered by your committee.

I have a longstanding belief that an integrated passenger transportation system in this country is absolutely essential and that passenger rail service is an integral part of any such system. I believe that is true not only for the Northeast corridor, but for the rural parts of our country. And it is absolutely essential, in my view, that we continue the kind of service that I understand that Amtrak has provided and is providing in an ever increasingly efficient way.

I am tremendously impressed by what I know of the operations to date of Amtrak under Mr. Claytor's leadership. They are approaching, and I think will by the year 2000 be operationally financially independent. And I hope that I can make a contribution to that kind of progress.

I believe that from the point of view of the business community it is very important to have a viable alternative to air transportation's particularly in the Northeast Corridor. And I think Amtrak is going to be increasingly competitive in other areas as well.

So it is with a great deal of personal interest and enthusiasm that I look forward, if I am confirmed, to serving on this board.

Senator EXON. Mr. Vogt, thank you very much. I would be glad to recognize my friend from South Dakota then, in just a moment. I would also like to see some service up into South Dakota, which would be helpful, I think, to South Dakota, and also to the traveling public, especially in the Black Hills area. I suspect, though that one of the problems we have in that area is the current lack of equipment. And that is one of the things that I wanted to ask the Admiral about after we have finished with your part of the proposition.

I take it that you are a lawyer. Is that right, Mr. Vogt?

Mr. VOGT. Yes, sir. Most of the time.

Senator EXON. Well, I am out weighed here by my friend from South Dakota, who is a lawyer, and yourself. So I will not get into lawyer stories today. So with that understanding, I am glad to recognize my friend from South Dakota, Larry.

Senator PRESSLER. I will just ask one question. Is Federal funding of Amtrak appropriate, given the fact that Amtrak currently carries less than 1 percent of inter-city passengers?

Mr. VOGT. Is that the question?

Senator PRESSLER. Yes.

Mr. VOGT. Yes, I believe it is. I think that is a very important 1 percent and that percentage, it is my understanding, is growing. As I said in my opening remarks, I am tremendously encouraged by the fact that Amtrak is increasingly self-sufficient in its operations. And I would hope that that trend will continue.

Senator PRESSLER. Good. And if you are not prepared specifically on the South Dakota question, if you could submit what the possibilities are there, what the problems are. I want to understand—and maybe there are difficulties that Amtrak has—how this could relate to Nebraska and North Dakota in sort of a synergistic way. Or maybe you are prepared to answer that now. Or you could answer it in writing. But can we get Amtrak in South Dakota?

Mr. VOGT. Well, I would prefer to educate myself on that question and respond at a later time.

Senator PRESSLER. Good, if you could respond this afternoon or tomorrow in writing, that would be very useful—or in a day or two, so we can take a look at that.

Senator EXON. Fine. Anything else, Senator?

Senator PRESSLER. I will submit the other questions for the record.

Senator EXON. The other questions that have been presented will be entered in the record. And we would ask that you respond to those as quickly as you can for the completion of the record.

Mr. VOGT. I certainly will.

Senator EXON. It seems to me that if there is one success story of Government programs, it has to be Amtrak. And with the situation that we have today in the whole passenger area—in this room yesterday, we heard testimony that seems to be leading us down the inevitable road, that some of us predicted, to probably only three major air carriers in the United States. If for no other reason, we need Amtrak to help keep, to some extent, the air carriers honest in their fares and transportation.

I do not think there is any question that we are continuing our drive in the increased ridership and use under the very efficient leadership of the Graham Claytor, and the board has made a resounding success of this and we are making significant steps in the right direction.

I would just like to have you elaborate a little bit, if you can, Mr. Vogt, on some of your answers to the pre-hearing questions regarding the contributions that you hope to make as an Amtrak board member, specifically, hopefully, addressing what you believe should be Amtrak's top priorities now and as far as you can see into the future with the information that you now have.

Mr. VOGT. Well, I believe that as a top priority there are two things that occur to me. One is to increase the efficiency and the quality of the service that Amtrak provides. And the second is to continue the progress toward financial operating self-sufficiency. I think both of those are imperatives.

Amtrak, at least as far as I know at this point, Senator, is going to survive on the quality of its services. And if those services warrant the confidence of the public, this railway will be a success. If they do not, then I think we are going to have some difficulties in sustaining it. From what I can tell, tremendous progress has been made in that direction.

And part and parcel of that is funding for capital equipment. And I am very encouraged to see that the administration has included money for Amtrak in its budget and that the Congress, hopefully will respond, and that this new equipment will come on line. So I am very encouraged by what I have seen, and I hope to contribute in both of those respects.

Senator EXON. Let us talk a little bit about funding, which is a subject that, assuming you will be confirmed as a member of the board, that you will be wrestling with—funding from whatever sources, including Federal. But regarding the whole funding matter, you indicated in your pre-hearing response to questions that you would support efforts to provide the level of funding necessary to meet Amtrak's critical capital needs, and of course, operating support.

Are there other funding tactics beyond Federal funding that you would recommend Amtrak explore or further develop? And I would include in that other things that you think we might explore, at least going into. And I would incorporate the fact that we probably may have to increase the fares somewhere along the line.

What about this little matter of funding, both what could be generated by Amtrak now and—my feeling is we cannot get fares too far out of line, but with increased costs and probably not adequate funding from Federal sources some adjustment may need to be made, although we expect to improve some on that in this session of Congress. Do you have any ideas that you would like to express at this time as to what you think we might be looking into?

Mr. VOGT. Well, Senator, I think my ideas are going to develop over time because I am not yet that familiar with the intricacies of Amtrak's funding. But I do believe that every aspect of potential funding has to be explored, whether that is an increase in fares or public financing, or whatever it might be. It seems to me that this is a business. It needs to be operated as a business. I believe that from what I can see, it is being operated that way. And I would, in my term as a board member, if confirmed, be approaching this from a business perspective of making this thing work however and by whatever means it takes, with the emphasis being on self-sufficiency.

Senator EXON. One of the issues that is going to be coming up, that I admit is somewhat of a parochial matter from my standpoint, is a proposed connection of Amtrak, that I think the Admiral is familiar with, from Omaha, Kansas City, and then maybe a tie-in with that kind of a proposition with that route down there. I have been working with the various groups that are proposing this, as I am sure Senator Pressler has, with people that are interested in that area.

I keep telling everyone that the problem is not that we do not have people who want Amtrak service into their particular area, or that people that attempt to justify a linkage that would seem to make good sense from the standpoint of having the system more efficient to bring more riders. The problem that we have is the cost, not just the cost of running it after it gets going, even if you assume that it was going to pay for itself in a reasonable length of time, and it is a great capital cost that has been involved here.

And so what we have been doing with the people that are working on this is asking them to come up with some local funds of some type. Cities who feel that this is good and maybe putting up some money to at least get the project started. So everybody would like to have Amtrak if the Federal Government was going to pick up the ticket. But I do think that we should keep looking at these new concepts, the one that I mentioned, the one that Senator Pressler has mentioned, and one that other people have mentioned over the years.

But I hope that maybe now that we have and hope to maintain a national passenger service under the guidelines and constraints that you alluded to in your opening remarks. But I also think maybe we can reach out, for now that we have established it and hope to keep it going, we have got to recognize that we must not have draw downs on the system with new lines that are not going to pay for themselves as far as we can see into the future. I mean, you know, I think that is a threat to the difficulties that we now have of getting enough Federal contribution to keep everything in perspective.

So I would just lay that on you as a possible suggestion for some of these new people and say we will be glad to look at your line, how much money can you come up with to get this thing started. I do not know whether that has been used in the past or not. But I do believe that is something that we are going to have to

look to in the future. Otherwise we are going to be deluged with requests for passenger service like so-an-so has on such-and-such a line.

Mr. VOGT. It certainly seems to be constant with the administration's approach at this time to transportation issues.

Senator EXON. I assume that you may have been told, Mr. Vogt, that we are approaching that magical date, 1996, when Amtrak will begin the process of renegotiating its 25-year contract with the freight railroads for authority to operate over their various lines. Do you have any thoughts regarding this process and ways your background might lend itself in assisting the board and the operating people to come to some kind of a happy conclusion when that 1996 date arrives?

Mr. VOGT. Well, Senator, I do not know the details of that, but I have spent a lot of my career in negotiations. And I hope that I might be able to add some years of experience and expertise to the process.

Senator EXON. Mr. Vogt, I have no further questions at this time. I think yours is a good appointment. We will be reviewing the additional information that you send in. And I will be moving the final decision on this nomination along briskly because I know that we want to get this position filled.

I will leave the record open for the rest of the day for any members of the committee that wish to submit additional questions to you for the record, as has been done already with other Senators.

And once again, Mr. Vogt, we would appreciate your giving us as prompt a reply as possible to those.

Mr. VOGT. I will certainly do that, Senator, and I thank you.

Senator EXON. Thank you very much.

Would you come forward, Graham Claytor, since we are talking about Amtrak? You know, we have worked very closely together for years on this position. I am pleased to mention you what you already know, that at least our annual funding battle is somewhat eased this year with the budget request from the administration for Amtrak.

While it is not as much as we had hoped it would be, it appears that we finally, after all these years, have gotten through the message that Congress is going to continue Amtrak whether the administration likes it or not. So I think we started out on a little bit better basis than we have in the past with regard to the overall funding problems that we continue to wrestle with. I am just curious as to what your comments were on that.

STATEMENT OF GRAHAM CLAYTOR, PRESIDENT, NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Mr. CLAYTOR. I am very pleased, Mr. Chairman. This is the first time in 6 or 7 years that we have had any recommended money at all for Amtrak from the administration. And I think this is a great start.

Now one must keep in mind that for the operating costs, they have recommended $180 million, but they have assumed that we would be able to save about $175 million from legislation and changes that they hope will be made. We certainly will ask the Congress to make up the difference between their figure and what we think we need, which is $321 million in the event that those savings are not realized in time to have them take place in FY 1992.

We had suggested a number of savings that additional legislation, and additional labor agreements, additional equipment efficiency could generate. But my experience in knowing how fast these things move would be that we would hope to do that over the next 4 or 5 or 6 years. I would like to do it in one year, but things do not happen that way. So I think we are going to have to make up the

difference in funding for 1992. And we will be presenting that to Congress when it holds hearings on Amtrak's budget.

But I am very pleased with this. It is a great start. It is the first time that this has happened for so long that we are very pleased. And we are working extremely well with the Department of Transportation. We look upon them as partners and they look upon us as their partners. And I think that is also a very fine change.

Senator EXON. That is a significant step in the right direction. It would sure make my job a lot easier when, at least we have the administration not fighting us before the first pitch is thrown in this whole problem of funding.

What you are saying then, is that you suspect that the administration is overly zealous with regard to the savings that can be made when that is measured against reality?

Mr. CLAYTOR. Within that time frame, yes, sir.

Senator EXON. Let me ask you whether or not those savings, again, are contemplated by you and the administration on something that we have had disagreement on over the years, are you back with the FELA savings, once again?

Mr. CLAYTOR. The FELA savings is one part of it. That is, I think, about $17 million to $20 million included in that. FELA would be one of them. In order to have that, one will have to have legislative changes which we recognize are highly controversial. That is included, I know that is included in the administration's list.

Other things are——

Senator EXON. I would simply interrupt you. I would hope that when I begin to look at those savings that the administration has come up with, which I have not yet, I hope some of them are more realistic than I think the FELA chances would be. And I say that to you because you know full well how the majority of the committee feels on that. I hope that there are more realistic practical savings than that.

Mr. CLAYTOR. Well, much of the savings, of course, we already have identified over the years, including improved efficiency in the operation of our shops, and better work rules that we would have to negotiate with the unions. Which is, again, something that you do not press a button and accomplish. It is gradual over the years. And I think these are real savings. But how fast they can be converted into actual savings is the question I would have, and I do not think any significant amount can be done in time to take care of FY 1992, which is going to start now in another 6 or 7 months.

Senator EXON. From the very time that you took over this position, you have done a great job in my opinion in trying to modernize the equipment. You are a seasoned railroad individual and you know what it is all about. That is why we have always been very pleased with your overall approach in doing the good job that you have. You are in a very important position. I suppose you were as distressed as I was to read an article in the paper the last few days. I forget the headline, but it is something about the trip from hell, where evidently some people that set out on a skiing trip were delayed a long time—two engines broke down. The story went on to say that we are not performing because of the need for locomotives. The Amtrak locomotives are not being fully serviced and repaired. And often times freight engines had to rush out to take over a train where the engine is broken down.

Are you familiar with the story that I read?

Mr. CLAYTOR. Oh, yes. That was a single trip in which a writer then syndicated the article all over the country. It has created a lot of difficulty. It was a bad trip. There is no question about it. And bad trips do occur every now and then. That happened to be on our Empire Builder from Chicago through Milwaukee, across

the northern part of the country, probably the most difficult long-distance operation that we have because of its distance and because of the very heavy freight traffic which causes a lot of interference and the fact that it was in winter weather along the Canadian border.

None of this is an excuse, it is partly an explanation. We did a bad job. The locomotives broke down. Actually our locomotive——

Senator EXON. Did it break down twice or did you have two failures?

Mr. CLAYTOR. I have not received all the details yet. I think generally when they break down once we get a substitute freight engine that takes us the rest of the way. That is the usual practice. But the point is that our locomotives are over utilized. We do not have enough power units to have a locomotive standing by to take the place of one that needs to be fixed. And when that happens, what you do is you take the locomotive off the inbound train and put fuel in it and you send it right out again, which we ought not to do. But the choice is annulling the train and leaving all those people stranded or doing the best you can.

Now we have already placed an order for 52 new diesel locomotives, the first of which will be delivered in a little over a year. And that is going to greatly alleviate our problems. In the mean time, our Board of Directors has approved the lease of 15 locomotives that we can use in our long haul trains. They are not the kind we want permanently, but they will fill in in the meantime as extra engines. There are two or three engines on a train, these will fill in as the second or third engine. And that will alleviate the situation.

So we are doing everything we can to overcome our equipment problems, but it is the result of years of capital starvation. Congress did not have the money and we had to do the best we could with what we had. And I feel we are well on the way to getting that fixed.

Now we are terribly short of cars. We turn people away because we do not have an extra car to put on the train. We are hopeful that we will make—with the approval of our Board of Directors possibly in March—an order for a substantial number of new superliner sleeping cars, dining cars and lounge cars that will be used on our long-haul trains. That will enable us then to start looking realistically at possible new routes.

There is no use in our doing other than a theoretical study of a new route today, because if it looked real good, we cannot operate it because we do not have the equipment for it.

But I want to emphasize what you said. It has been our policy for years that new routes have got to be contributed to by the people who are going to be served by that route. We have said to cities, for example, if we put a train through here, we expect you to provide the station—lock, stock and barrel. We do not have the money to put new stations on new routes. It is hard enough to get the equipment and pay for the operating costs in the early days when you do not make as much money.

What we say is, "if you want the service, you have got to come up with capital improvements." We have to carry equipment to run a passenger train on a new route. You have got to come up with some of that money. You have got to fix the stations. And that has been our position right or wrong.

I understand, we are right now, negotiating with the State of Missouri about the possibility of running something from Kansas City to Omaha. It is good route. It has a couple of problems. There is heavy freight traffic. We have got to be sure we can make an agreement with the freight railroad and not interfere too much with that.

Then we also want to be sure that passengers would probably be picked up in Kansas City who would like to go to Omaha and take the train to the West Coast.

Well the problem is the train to the West Coast is already full by the time it gets to Omaha. So we have got to fix that problem by getting some more equipment or finding some way to carry the extra people.

I am satisfied that our new Board of Directors—most of them are quite new—they are very good people. They are practical businessmen and they are going to be a great help to us in solving these problems.

Senator EXON. Equipment. First let me ask about locomotives. If I heard you correctly, you said at least in one instance with this so-called horror ride that we referenced, you believe that you went out and hired a locomotive from some existing railroad?

Mr. CLAYTOR. No, we have got an arrangement with all the railroads over which we operate that if our locomotive break down they will try to find a local engine that they can add to our train. That railroad, and that is part of our agreement, will always provide it. I have never had any problem with that. On of the difficulties is that a freight engine cannot run as fast, so the train is then going to be slowed down. The freight engine alone cannot provide the hotel services, heat, light and whatnot to the car, but one of our engines has to be along to do that. And that presents some complications. But we have that covered as best we could under the circumstances.

We are particularly committed to improving our service, improving the quality of the service as well as the reliability of the service and that is the number one objective. The number two objective is to operate more efficiently and take less Federal money.

Senator EXON. What about the availability of less than desirable locomotives from—since yours are overworked, are there any surplus locomotives around that could be leased?

Mr. CLAYTOR. That is what we are now doing. We are leasing a group for two years. We will get the first ones on board in a couple of month. They have a limited utility, but they help us. They do not have the hotel services. They could not pull a train by themselves. But for the long trains that require multiple locomotives, they can provide that and can then be used on other trains. So we are happy.

Senator EXON. Are you having generally good cooperation from the freight railroads on that?

Mr. CLAYTOR. We have from time to time a little difficulty with one or another, but I would say our relations with the industry on the whole is better than it has ever been.

Senator EXON. I happen to know that Union Pacific has also recently placed orders for more locomotives. Is there a shortage? And why do they not have locomotive sitting all over the place? Is there a shortage of locomotives today?

Mr. CLAYTOR. I do not believe so. I do not believe there is shortage now. I think that the railroad, like the Union Pacific are looking ahead, and they do not want to get caught in a shortage. It takes a two year lead time to get a new locomotive. So you had better be thinking about what you need two years from now, not just what you need now.

Senator EXON. What about other equipment, passenger cars, sleeping car equipment? It has been so long ago since every railroad had those kind of facilities, are there any inventories of cars that could be employed today, even if they are old cars?

Mr. CLAYTOR. No, sir.

Senator EXON. I presume there is nothing up to snuff with the new equipment you have or is there anything around like that.

Mr. CLAYTOR. No. There is basically no other equipment that is usable without—the old equipment was heated and cooled by steam. We have some of the best of that old equipment and we converted it to electric, but it costs about $400,000 or $500,000 a piece to do that. And we do not think any equipment that we could find now would be worth the investment.

So we are buying the new cars. After this year, every car that is acquired must have complete retention for its toilet system, which no car, generally speaking for the last 100 years, have had. We are now doing that. And so all of the new cars we get are going to fully retain wastes. In addition, we are gradually refurbishing the older cars that are young enough to be worth spending the money on and doing the same thing. The ones that we do not refurbish will have to go out of service.

So that is another problem that we are addressing and I think making real progress on.

Senator EXON. So you can, then, if I understand it, you can get some help from the freight railroads with regard to using some of their engines in conjunction with your regular engines. But that is not true with regard to cars.

Mr. CLAYTOR. No sir.

Senator EXON. They do not have any.

Mr. CLAYTOR. They do not have any cars. The only cars that are available at all are commuter cars which are not usable for long-haul service, and they are also generally in short supply because there are so many new commuter lines being started up.

Senator EXON. Do you have on order at the present time additional sleeping and passenger type cars.

Mr. CLAYTOR. No, sir. We are planning to get an order on the books, we have been negotiating for over 6 months with Bombardier Company. It is a Canadian company which actually owns the tooling and the design for these superliners, they bought them from the old Pullman Company. And they are the only company that is in a position to build these double decker superliners that we particularly need. So we are negotiating with them now for a package of 100 or more of those cars. And we are well along on this. I am sure we are going to be able to reach an agreement.

Senator EXON. But again, after you place the order, it is at least 2 years before you get delivery?

Mr. CLAYTOR. Well, it will probably be 18 months to 2 years before the first car. And then they will start coming out regularly over the next year or two.

Senator EXON. You heard my allusion to the matter of fares. You must wrestle and study that all the time. Are we in a position with the increased ridership to pick up some additional money by increasing fares?

Mr. CLAYTOR. Senator, let me reiterate what our policy is and has been. Our policy is to set the fare at that point that will produce the most revenue, whatever that is. Now in some circumstances you can raise the fare and increase your revenue, but in other places you increase your revenue if you reduce the fare because you get enough people to make up the difference. That is the objective. To actually accomplish that takes a good deal of doing. We have had 20 years of experience in that now, and I think our marketing people are extremely qualified in their job.

It is often thought that, well in the old times, when traffic was regulated and the railroads had a monopoly on passenger transportation, the way you got more money was raise the fare. You automatically got more money. But right now in a competitive market we are competing with airplanes and the private automobiles. Well, you may lose you clients if you raise the prices. It is not always

the proper way for getting more money. As complicated as it is, the objective that we have is the right one.

We do not want lower fares simply to get more market shares. I do not care about market share. I could fill the train up every day if I wanted to reduce the fares enough. I have to set my fares to get the maximum revenue. And I think that is what we ought to do to keep it in line. What we need to do is to reduce our operating loss so we do not have to have any Government operating subsidy. And I think we can do that by the year 2000, which is our objective.

Senator EXON. Thank you very much. I have no further questions, and I appreciate your coming to the witness table today to answer a few questions that were on my mind. And I will be working very closely with you, as will the committee, to keep our Amtrak facility running properly. Thank you for your good work.

Mr. CLAYTOR. Thank you, Senator.

Senator EXON. We are adjourned.

[Whereupon, at 3:18 p.m., the committee was adjourned.]

[The following information was subsequently received for the record:]

POSTHEARING QUESTIONS OF SENATOR PRESSLER

Question. As you know, I have been interested in expanding Amtrak service to my state of South Dakota for many years. South Dakota is one of the very few states without rail passenger service. As a member of the Board of Directors for Amtrak, what would be your opinion on expanding Amtrak into rural areas like South Dakota?

Response: Amtrak serves a critical role in many rural areas, particularly as air and bus alternatives have disappeared. South Dakota is one of only four continental states that lack Amtrak service. I understand that Amtrak has studied the potential of service between Minneapolis and points west through Aberdeen. While it is supportive of service to a rural area of the country that lacks the intercity rail alternative, I understand that the study indicated that the service would not be economically viable. It would apparently be both longer than existing service through North Dakota and result in less revenue. In general, I believe that the ability of a new route to cover its costs is one of the important criteria in determining whether or not to initiate new service.

In an era of higher energy prices and increased concerns about the environment, I support the addition of new Amtrak service. If I am confirmed, I would hope to work with Amtrak to identify new opportunities for growth of the national rail passenger system consistent with the corporation's goal of operational self- sufficiency. In this regard, I will be attentive to your interest in expanding Amtrak to serve the citizens of South Dakota.

Question. Mount Rushmore attracts over two million visitors every year. Many of these visitors drive across the midwest and stop at other national parks like Yellowstone and Grand Teton National Park. I have noted that Amtrak does not provide service to this area. What are your thoughts on establishing an Amtrak line through this area to link together our National Park system?

Response: Service to these national parks would provide an attractive alternative for the nation's travelers. However, I note from a Railroad Atlas that although Mount Rushmore is not far from an existing rail line through Rapid City, South Dakota, there are no rail lines near the Yellowstone or the Grand Teton National Parks. I understand that the costs of constructing new rail lines to these parks would be enormous. Amtrak does serve several other national parks, including Glacier and Big Bend National Parks. Z also understand that Amtrak offers tour packages to many national parks through various tour operators.

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